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IRS plan jeopardizes taxpayer privacy

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The Internal Revenue Service is proposing to change rules that would give tax preparation organizations the right to sell information from an individual's tax return forms to marketers and data brokers.

It is a terrible idea.

The IRS claims that it wants to strengthen the security of an individual's tax return with its proposal. The powers that be at the IRS stress that a taxpayer would have to sign a permission document before a preparer could sell information.

Many people hire someone to prepare their tax returns and simply would sign the accompanying paperwork without paying much attention to the fine print.

The new regulation would require the "knowing, informed and voluntary consent of the taxpayer" before accountants or other tax preparers could market tax data. Someone at the IRS needs to explain just how that is better than not allowing the data to be shared at all.

It is obvious how this "informed consent" would work: It would come down to a few, simple words in some very long disclosure document that very few people would take the time to read and that even fewer would understand.

What's more, with the growing popularity of computerized tax forms and online tax filing, the wording would be buried in the language that everyone quickly clicks past to open software programs.

The U.S. income tax process depends to a very great extent on the cooperation of individual taxpayers in the processing of tax information. Anything that serves to make taxpayers a bit wary of sharing that information is a very bad idea.

Unless the IRS drops it on its own, Congress should step in and kill this proposal.

The proposed new rule, which basically would place tax returns up for sale, will be the subject of an IRS hearing Tuesday in Washington.

Kudos to Sen. Barack Obama, D-Ill., who wrote IRS Commissioner Mark W. Everson a letter objecting to the proposal. "There is no more sensitive information than a taxpayer's return, and the IRS' proposal to allow these returns to be sold to third-party marketers and database brokers is deeply troubling," he wrote.

Of course it is troubling. Identity theft is on the rise, and financial privacy is fragile.

Once the privacy of individual returns is eased, many events could take place. Given the many ways information travels these days, sensitive data sold by tax preparers to data brokers, for example, could be accessed by others, as well.

There is no reason to create anxiety for the many people who go to tax preparers. Now, if they weren't careful, they would have to worry about how many people could obtain private, sensitive information about them.

IRS officials disagree with consumer and privacy-rights advocates who contend that the proposed rules would weaken taxpayers' privacy by allowing tax preparers to cash in on the financial information they collect as they fill out clients' tax returns or process them via the Internet.

Why? Because according to the IRS, tax preparers have had that option since the current rules were adopted in 1974.

"Accountants and other tax return preparers have had the ability for 32 years to sell tax return information, with the consent of the taxpayers, to any third party," IRS spokeswoman Nancy Mathis said in a prepared statement.

Critics of the proposed rule change, however, say that that is just the IRS' interpretation. Many tax experts have been outspokenly critical of the proposed regulations, and claim that a tax preparer can't sell tax information for marketing purposes to a third party.

While the battle lines over the proposed new rules have been drawn, let's make one point clear: There is no reason for tax return data to be used for anything other than tax return purposes. That information should be sacred.